



STATE OF WISCONSIN
Department of Employee Trust Funds
Eric O. Stanchfield
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: September 27, 2004
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: FDIC Fixed/Floating Interest Rates

M&I Bank of Southern Wisconsin has been under contract to offer the Federal Deposit Insurance Corporation (FDIC) bank option for Wisconsin Deferred Compensation (WDC) Program participants since January 1, 2001. WDC participants holding assets in the FDIC account receive a blended rate of interest based on the fixed/floating interest rate allocation selected by the WDC Board.

The contract between the Board and M&I Bank permits the Board to change the percentage allocated to the fixed and floating interest rate for the following year, provided the Board gives M&I Bank a 30 day notice. An annual review of the fixed/floating interest rate allocation is warranted due to the decline in interest rates over the past year and the potential that these rates could start climbing in the near future.

To determine the interest rate that will be applied to participant accounts in 2005, action is needed by the Board at the November 2004 meeting to set the percentage of the FDIC account assigned to the fixed and floating interest rate calculation. The attached memo from Curt Morrow at Nationwide Retirement Solutions (NRS) provides a more detailed explanation and analysis of FDIC interest rate allocation options.

NRS recommends and Department staff concurs that the Board continue with the same split as last year, with seventy-five percent (75%) of the account assigned to the floating interest rate and twenty-five percent (25%) to the fixed interest rate.

Attachment

Reviewed and approved by Pam Henning, Office of Strategic Services

Signature

Date